

Most Important News – August 2006

Throughout the month of August, the SARG continued using its control of the press to reassure the public that the crisis in Lebanon did not adversely affect the Syrian economy. Until mid August, government press gave front-page coverage to the war in Lebanon as well as to Syria's offer of unlimited humanitarian support. Dailies highlighted Syrian-Iranian economic relations, trumpeted a continuous increase in FDI, lauded the stability in the value of the Syrian Pound (SYP), and praised the SARG's success in thwarting smuggling attempts. On the other hand, press articles continued denouncing rampant corruption and rising inflation. End summary.

2. Syria and Iran: Throughout August, government-owned press continued to report with enthusiasm on Syrian-Iranian economic relations in all fields. The visit of the Syrian Minister of Industry, Dr. Fouad Jouni, to the Syrian-Iranian car assembly plant in Adra in mid August was front-page news in all local dailies. Articles quoted him as saying that the first Iranian "Samand" car will be out in the Syrian market by the end of 2006. According to press reports, officials from the Syrian Ministry of Transport met with a delegation from the Iranian "Amiran" company to finalize the details of the contract signed in mid-May 2006 for the import and operation of 1,200 Iranian-built bio-diesel public busses in Damascus. Regional and local newspapers covered the visit of an Iranian delegation to Aleppo to discuss the strengthening of industrial and investment cooperation relations and the boosting of trade. Late in August, the press reported on a joint technical team that is preparing lists of goods to be included under a preferential trade agreement between Iran and Syria that is expected to be approved by the end of the year. Dailies highlighted Iran's proposal to construct a one kilometer-long tunnel in al-Sit Zeinab area to facilitate the visit of the Iranian pilgrims to the "Zeinab shrine".

3. Smuggling: The SARG continued to use its control of the press to trumpet the success of the customs departments in thwarting smuggling attempts across all Syrian borders. Local dailies highlighted the success of the customs squads in stopping several operations to smuggle in electrical appliances, electronics, and cigarettes from Lebanon and Turkey. Press articles also reported on many instances in which customs officials had prevented the smuggling out of diesel and metal scrap to Lebanon, Turkey, and Jordan. According to the press, some of the instances witnessed armed clashes between the customs officials and the smugglers. In mid-August, "al-Thawra" newspaper reported on the confiscation of about one ton of "Captagon" tranquilizer pills and other pharmaceutical raw materials on the farm of a businessman in Aleppo. The materials were reportedly to be used in manufacturing drugs in a small plant located on the farm.

4. Foreign Direct Investment (FDI): Articles in the state-owned, as well as in the private, press continued to reassure the public that, despite the war in Lebanon, Syria was still an attractive and safe place for FDI. Dailies ran lead stories that the Supreme Investment Bureau gave its nod to 212 investment projects during the first six months of 2006, the highest number in any six months since the creation of the Bureau. Press articles trumpeted the arrival of several investors during the war month to Syria to look into and discuss investing in the country. Local newspapers quoted the Director of the Supreme Investment Bureau (SIB), Dr. Mustapha al-Kefri, as saying that he did not notice any decrease in the number of applications submitted for investment licenses during the war period. Front-page coverage was given to the August meeting of the SIB when 52 new projects were licensed under Investment Law 10 at a total capital of about \$600 million. In late August, media reported on the visit of a Chinese delegation from the Chinese Technical Import and Export Corporation (CNTIC) to Syria to discuss investing in glass and cement producing plants in Homs. The press also reported on the visit of another Chinese delegation from China's oil industry to Damascus to discuss the options available for establishing a 70,000 bpd oil refinery in Dayr al-Zur.

5. Corruption: In late August, the government-controlled "al-Thawra" and "Tishrin" newspapers reported on the decision issued by the Minister of Finance to seize the assets of 39 businessmen as well as the assets of their wives because they had bought 210 million SyP of textiles from the General Organization for Textile Industries for which they have never paid. Al-Baath newspaper had also reported on the seizure of the assets of three employees at the Tartous Port as well as the assets of their wives due to violations of contract terms signed between the Tartous port and a French company. Earlier in the month, al-Thawra had

reported that someone was impersonating the head of a public sector entity and was calling “colleagues” requesting favors.

6. Currency: The topic of the stability in the value of the SYP, despite the war in Lebanon, was almost daily news throughout the first half of August. The SARG used the press to remind citizens that the Syp is strong and is able to withstand shocks. In mid-August, front-page coverage was given to the decision permitting Syrians, residents and expatriates, to open foreign currency bank accounts in banknotes to be used in the financing of private and joint venture imports. Government-owned and regional press quoted the Governor of the Central Bank of Syria as saying that this decision has ended 40 years of currency smuggling abroad. In addition, press reports highlighted that deposits in public and private Syrian banks have noticeably increased and added that the war in Lebanon had led to the return of about \$400 million from Lebanon to the Syrian banks.

7. Prices: Throughout August, the topic of commodities prices in the local market appeared in the state-controlled as well as in the quasi-independent press. Early in August, al-Thawra newspaper interviewed the Director of Prices at the Ministry of Economy and Trade who claimed that the Syrian markets were stable and that the prices of most commodities did not increase in spite of the increase in demand. Articles in public and private media reassured citizens that the concerned authorities are closely monitoring the market to prevent any price gouging. On the other hand, “al-Iqtisadiyah,” a private magazine, reported in mid-August that the Lebanese crisis caused prices of all foodstuffs, especially red meats and chicken, to noticeably increase in Syria. Late in August, dailies reported that the Ministry of Economy and Trade held a one-week training workshop for supply squads to closely monitor the market and to take actions against the violators. Late in August also, “al-Iqtisadiyah” wondered if the Syrian citizen will be able to withstand the high expenses of September which will witness the opening of the schools, mark the beginning of the holy month of Ramadan, the Eid, and the stocking of winter supplies.

8. Lebanese Crisis: Until the end of the Lebanese crisis, articles continued to cover the arrival of Lebanese refugees to Syria. In addition, dailies reported on the arrival of airplanes carrying humanitarian aid to Lebanon and on the Syrian delivery of these goods despite danger. Media reports ran a number of articles highlighting the SARG’s measures to ease the situation in Lebanon such as supplying some Lebanese gas stations with Syrian gasoline, cooperating with the UAE, Qatar, and the Red Cross in providing medical services and other help to Lebanese refugees, and facilitating the transit of aid supplies to Lebanon. Later in August, regional press reported that Syria suspended supplying Lebanon with electricity and threatened to close its borders with Lebanon if the U.N. deployed forces there. However, the SARG used the local press to explain that its decision to suspend the flow of electricity to Lebanon was due to technical problems with its own grid. Late in August, articles reiterated Hezbollah’s appreciation statements to Syria for all the assistance it provided to Lebanon and to the Lebanese refugees during the crisis. Finally, dailies highlighted that among the negative impacts of the war in Lebanon on Syria was the cancellation of European tourism groups to visit Syria through the end of 2006.